

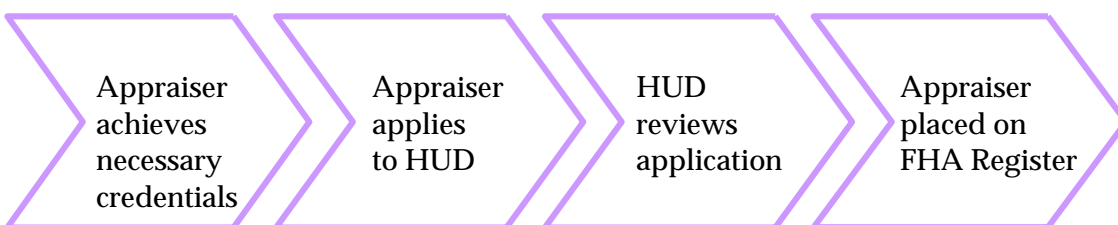
1 SELECTION OF APPRAISER

1-0 INTRODUCTION

The success of the FHA insurance program and HUD's ability to protect its financial interest begins with selecting qualified and knowledgeable appraisers. This chapter presents the minimum requirements that appraisers must meet to be placed on the FHA Register.

1-1 FHA REGISTER

The FHA Register lists appraisers who are eligible to perform FHA single-family appraisals. To conduct an appraisal for FHA insurance endorsement, the appraiser must be on the FHA Register.



A. APPRAISER CREDENTIALS

To be eligible for placement on the FHA Register, all appraisers must be state-licensed or state-certified and must not be listed on any of these:

- GSA's Suspension and Debarment List (the government-wide list of parties excluded from federal procurement or non-procurement programs)
- HUD's Limited Denial of Participation List
- HUD's Credit Alert Interactive Voice Response System (CAIVRS)

To be eligible to perform appraisals for FHA, the appraiser must also pass a HUD/FHA test on appraisal methods and reporting, which focuses on applied knowledge of the new Handbook 4150.2.

A uniform national examination will be available June 1, 1999. The examination contains fifty questions in a multiple-choice format. The test will be administered by a national provider and the cost paid by the appraiser. Appraisers currently on the FHA Register will be grandfathered until January 30, 2000.

B. REGISTER APPLICATION PROCESS

The application process is the first screening of the appraiser's qualifications to perform HUD/FHA appraisals. To apply, appraisers must submit the following to FHA:

- Updated form HUD-92563 "Register Appraiser Designation Application"
- A copy of a current valid appraisal license and/or certification verification that the appraiser has passed the FHA Examination

HUD will review this information to determine the appraiser's eligibility for the FHA Register.

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C. APPLICANT REVIEW

To verify that the appraiser is eligible to perform HUD/FHA appraisals, REAC performs a detailed review of the appraiser's professional qualifications and checks for any negative information. The review does the following:

- verifies that the appraiser is state-licensed or state-certified under the Appraisal Qualifications Board (AQB) criteria
- verifies that the appraiser has passed the FHA Appraisals Methods and Procedures test
- pre-screens the appraiser's social security number in the HUD/FHA Credit Alert Interactive Voice Response System (CAIVRS)
- reviews HUD records to ensure that the appraiser has no pending suspensions, disqualifications or debarments
- verifies with the appraiser's signature that there are no actions or pending judgments against the appraiser for waste, fraud, abuse or breach of professional ethics or standards
- reviews the previous period's performance, if applicable

D. DESIGNATION TO THE FHA REGISTER

When the review of the application is complete, the appraiser is designated to the FHA Register. New appraisers recently added to the FHA Register may be monitored and reviewed more frequently to ensure that their performance is consistent with HUD/FHA guidelines and to monitor training needs.

Because the initial application to the FHA Register will occur after the appraiser has become state-licensed or state-certified, the first term will coincide with the remaining period of state licensing for the home state. After this initial period, the FHA Register period will be consistent with the home state license period.

Each period, every appraiser must re-apply to the FHA Register, concurrent with the appraiser's application for state licensing and/or re-certification. HUD reviews the appraiser's performance and compliance with new testing requirements and verifies that the appraiser is state-certified or state-licensed.

For more information on the review process, see Chapter 6 of this Handbook.

1-2 LENDER SELECTION OF THE APPRAISER



When the lender selects an appraiser from the FHA Register, the FHA Connection processes a case number for the lender. The lender may assign the appraiser before receiving the case number, but the case may not be submitted for endorsement without the case number. The case number must be placed on all copies of the URAR as well as the VC form and summary. The mortgagee will give the appraiser:

- the property address
- type of construction
- number of units
- other information necessary for the assignment

If the property is a condominium or a Planned Unit Development (PUD), the lender will verify that it is HUD-approved before ordering a case number or having an appraisal performed. The lender will give the appraiser the project name and ID number and all available property information. If it is proposed construction for a PUD or Condominium, it must be FHA-approved before ordering a case number. The name of the Condominium or PUD must be given.

A. NON-DISCRIMINATION POLICY

The Department's regulations on choosing appraisers state that there shall be no discrimination on the basis of race, color, religion, national origin, sex, age or disability.

HUD expects lenders to comply with anti-discrimination requirements and affirmatively select female and minority appraisers for a fair share of appraisals commensurate with their representation on the FHA Register. HUD will monitor lenders' choice of appraisers by their sex and race.

B. CONTRACTUAL RESPONSIBILITY OF APPRAISERS

The appraiser is hired by the lender, and therefore has a contractual responsibility to the lender. However, the appraiser provides services for HUD programs, and therefore, has an obligation to perform these services commensurate with the standards and requirements of HUD. This dual responsibility of the appraiser is recognized in the review and reporting requirements of HUD. The lender and the appraiser must meet their respective obligations as prescribed by HUD/FHA. Therefore, the intended user of the appraisal report is also HUD. These contractual obligations to the lender and HUD/FHA are in addition to the appraiser's legal obligations to his or her credentialing state.

C. COMMUNICATION WITH APPRAISERS

- (1-2) HUD/FHA mortgage insurance is initiated when a lender selects an appraiser from the FHA Register. Once the appraiser agrees to perform the appraisal, the appraiser is in a contractual relationship with the lender. The appraiser will send the completed appraisal directly to the lender. HUD advises the appraiser to discuss the appraisal only with the underwriter. No other individual should contact the appraiser before the appraisal has been completed. Real estate brokers and agents should consider the lender their sole source of information on the appraisal and all matters related to the appraisal.

D. APPRAISAL FEES

The appraiser and the lender will negotiate the price and due date. HUD does not establish fees or due dates. The fee is paid for market value estimate based on guidelines consistent with HUD policy and procedure established in this Handbook. The fee is not based on a requested minimum valuation, a specific valuation or the approval of a loan. Lenders may charge the borrower only what is customary and reasonable in the area to obtain an appraisal.

Appraisal management firms may charge the mortgagor a fee for the appraisal that may encompass fees for services performed by the firm as well as fees for the appraisal itself. However, the total of these fees is limited to the customary and reasonable fee for an appraisal in the market area where the appraisal is performed. Such arrangements must comply with all aspects of the Real Estate Settlement Procedures Act (RESPA) and its implementing regulations, including restrictions against:

- kickbacks and referral fees
- charges for settlement services that were not actually performed
- payments in affiliated business arrangements other than return on ownership